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CENTRAL INTELLIGENCE GROUP
INTELLIGENCE REPORT

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COUNTRY Germany (Russian Zone)

DATE:

SUBJECT State-Owned Enterprises in Saxony-Anhalt;
Budget and Management Difficulties;
Transfer of Plants to Local Government
Administration

DIS. 8 January 1948 25X1A

PAGES 2

SUPPLEMENT
ATTACHMENTS: 3

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- In the budget for 1947-1948, the net proceeds estimated for the Industrie-Werke was twenty-five million RM. Before the end of the first quarter, however, the SMA demanded, through the Ministry of Finance that the Ministry of Economy of Saxony-Anhalt make partial payments on this sum. In the investigation which ensued, it was determined that the Industrie Werke figure had been set far too high and that instead of the anticipated profit, there would probably be a deficit the state would have to make up. The budget had been established at the following amounts:

Receipts from Industrie Werke from the budget for 1947-1948

Group 2	Power	250,000 RM
Group 4	Metallurgy	125,000 RM
Group 6	Electro-technical	2,525,000 RM
Group 7	Chemistry	8,625,000 RM
Group 8	Wood	75,000 RM
Group 10	Paper and cellulose	1,725,000 RM
Group 11	Light industry	1,925,000 RM
Group 12	Staple and luxury foods	9,750,000 RM
Total		25,000,000 RM

- To correct some of the problems of management and remedy some of the difficulties of the Industrie Werke, SMA Halle issued Order No. 94 [REDACTED]. The Ministry of Economy and Trade and several other government representatives held a conference on [REDACTED] with representatives of SMA Halle (Colonel Rudyonov, Lt. Colonel Ptenzov, Lt. Colonel Kanyevski, and Ptukhin, head of the SMA Finance Division) to discuss the provisions of the new order. The following interpretations were arrived at:

- On Point 1, to annul the rights of former owners and transfer enterprises entirely to state ownership; if the state holding in the firm was more than ten percent, the firm should be turned over completely to state ownership; if less than ten percent, the firm should be returned to the private owner.

CLASSIFICATION

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Where the entire firm was expropriated, politically cleaned share holders were to receive compensation; all fully expropriated enterprises became part of the Industrie Werke.

- b. On Point 2, withdrawal from the Industrie Werke supervision of firms under SMA sequestration or foreign ownership. SMA was to present to the Ministry of Economy and Trade [redacted] a list of the 65 firms under SMA sequestration. Firms not belonging to Soviet AGs are divided into three categories: those belonging to Industrie Werke and administered by it; those under SMA or showing more than fifty percent foreign capital, administered by the Ministry of Economy and Trade; and private enterprises.

25X1A

- c. On Point 3, withdrawal from Industrie Werke and transfer to a city or Kreis of firms significant only for the city or Kreis, [redacted] was set as the terminal date. The firms were to remain legally the property of the state, but full responsibility for management of the business and full control of the profits were transferred to the local administration.
- d. On Point 5, strengthening of the direction and supervision of the Industrie-Werke, the order was to be interpreted qualitatively and not quantitatively.
- e. On Point 6, removal of former owners, political purging was to follow Directive 24 and former owners were to be moved out promptly. Directors of Industrie-Werke firms were to be selected and contracts signed with them where this had not already been done.
- f. On Points 7 and 8, supervision and control of Industrie-Werke finances, the Ministry of Finance was to check on all state-owned and community-owned enterprises, beginning with Industrie-Werke firms, including supervision of production and financial plans for the year and the quarter. Plans agreed upon jointly by the Ministries of Finance and Economy were to be then submitted to the cabinet quarterly for confirmation. Final responsibility was to rest upon the Ministry of Economy, but the Ministry of Finance was to act as controlling agency.
- g. In addition, a government commission to investigate the financial and industrial activities of the Industrie Werke was to function between [redacted] under the direction of the Ministry of Trade and Supply, but reporting also to the Ministries of Economy and Finance.

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Comment: The texts of Order No. 94 and of the executive decree based upon it were published in earlier reports.

3. [redacted] the cabinet of Saxony-Anhalt voted unanimously to carry out Order No. 94 and submitted their motion to the presidium of the Landtag for approval. The executive decree and cabinet resolution were submitted to SMA on 11 August. The presidium, however, [redacted] refused to approve. There was some discussion with Minister of Economy Dieker as to whether the cabinet should withdraw its motion or the executive decree should be published in the official gazette, with SMA approval, over the Landtag veto.

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4. A list of firms to be turned over to local government administration was to be submitted to SMA on [redacted]. Ministerialdirektor Brundert received a preliminary list on 9 August and forwarded it to SMA on the following day, showing ten firms already under local control and 165 firms which were to be transferred. An additional list was submitted by the evaluating commission on [redacted].

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Comment: A summary of these lists appears as Attachment A. 25X1A

5. The government commission to investigate the Industrie Werke was established and began its work early in August. It was divided into three sub-committees, under the chairmanship of Ministerialdirektor Brundert:

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- a. Committee for questions of accounting and profit -- Finance Minister Dr. Milkowski, Ebeling of FDGB
- b. Committee for questions of finance and credit -- Director Guiland of the Landesbank, Beyer of the Ministry of Economy
- c. Committee for questions of personnel and organization -- Gerisch of FDGB, Collin of the Ministry of Economy

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Comment: An excerpt from the report of the commission appears as Attachment B.

A correction of the number of enterprises removed from the Industrie-Werke as under SMA sequestration appears as Attachment C.

ATTACHMENT A

Summary of Industrie-Werke Enterprises to be transferred to the administration of local city or Kreis governments, democratic organizations, and companies.

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Industrie-Werke of Saxony-Anhalt		Halle/Saale, [REDACTED]		
Industry Group	Total trans-ferred	Cities Kreise	to Democratic organizat.	Companies
2 Power	7	7	-	-
4 Metallurgy	2	2	-	-
5-6 General machine construction	23	21	1	1
7 Chemistry	11	11	-	-
8 Wood	15	15	-	-
9 Construction	48	47	-	1
10 Printing	1	1	-	-
11 Light industry	10	10	-	-
12 Staple and luxury foods	74	17	48	9
13 Sugar	1	1	-	-
14 Traffic	3	3	-	-
Total	195	135	49	11

ATTACHMENT B

Excerpt from the Report of the Government Commission for Investigation of the financial and economic activities of the Industrie-Werke firms

The net proceeds amounted to: 1946, 4th quarter -- 3,944,124 loss
 1947, 1st Quarter -- 593,565 loss
 1947, 2nd Quarter -- 1,355,876 profit

The losses were caused by: 1) Lack of coal and raw materials
 2) Insufficient prices
 3) Consequences of dismantling and reconstruction

A surplus of 25 million RM should have come from the 1947-1948 budget. If the Industrie-Werke is considered as a whole, there is in contrast a surplus of 1.5 million. In consequence of the incorrect entry for productiveness of the Industrie-Werke, in the budget of 1947-1948 a deficit of about 15 million is to be expected.

[REDACTED] the number of employees is 37,000, of whom 88.84 percent are laborers and the remaining 11.16 percent office personnel. The total number of firms according to the status of 4 August 1947 is 351.

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The intermediate balance of [REDACTED] shows the following picture: 25X1A

Property assets	277,694
Stock	99,013
Claims	88,793
Liquid assets	45,002
Other circulating assets	24,482
Value compensation items (Wertausgleichsposten)	309,199
Total of Assets	844,583
 Mortgages and long-term debts	 27,716
Bank debts	68,484
Delivery obligations	17,933
Other obligations	87,578
Real capital	642,871
 Total of Liabilities	 844,583

ATTACHMENT C

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Industrie-Werke of Saxony-Anhalt Halle, [REDACTED]
 Chief direction, A-6 Economic Planning and Organization

List

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of former armament firms of the Province of Saxony-Anhalt under
 sequestration, submitted to Chief Director Dr. Fritze on [REDACTED]
 1947 by StA Halle through Lt. Colonel Ptenzov

Situation on [REDACTED]

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1. IG Farbenindustrie, Frose
2. IG " , Bitterfeld
3. IG " , Aken
4. IG " , Teutschenthal
5. Kiebeckmontanwerke Halle/Saale
6. " Werk Ellen, Draschwitz, Kreis Zeitz
7. " Werk Concordia, Nachterstedt, Kreis Quedlinburg
8. " Völpke, Kreis Haldensleben
9. Deutsche Sprengchemie AG, Werk Kletitz, Kreis Jerichow II
10. Fabrik zur Verwertung chemischer Erzeugnisse GmbH, Wüsen, Kreis Jerichow II
11. Lokomotiven-Reparaturwerkstatt "Brandenburger Eisenwerk" GmbH, Kirchmöser, Kreis Jerichow II
12. Maschinenbau und Armaturenfabrik "Louis Strube," Magdeburg
13. Junkers Flugzeug- und Motorenwerke, Magdeburg
14. Zink-Fabrik "Georg von Giese's Erben," Magdeburg
15. Artillerie-Münzenfabrik Polte, Magdeburg
16. Benzinwerk "Brabag," Braunkohlen-Benzin A.G., Magdeburg
17. Flugzeugwerk "Ago," Oschersleben
18. Junkers Flugzeug- und Motorenwerke, Schönebeck
19. Sprengstoffwerk "Lignose," Schönebeck
20. Jagdpatronenfabrik "Sellier u. Bellot," Schönebeck
21. Leichtmetallwerk "Rudolf Rautal," Wernigerode
22. Flugzeugwerk "Arado," Wittenberg
23. Werk Moschwig AG Deutsche Sprengchemie, Moschwig
24. Westfälische Sprengstoffgesellschaft "Wasag," Wittenberg
25. Gummiwerk AG "Elbe," Wittenberg (Klein-Wittenberg)
26. Westfälisch-Anhaltische Sprengstoffgesellschaft "Wasag" (no location given)
27. Schifftau "Gebr. Sachsenberg," Rossau
28. Junkerswerk, Leopoldshall
29. " Bernburg
30. Werk J.F. Eisfeld GmbH Silberhütte, Harzgerode
31. Papierfabrik "Junkers," Muldenstein
32. Kalichemie Werk Bitterfeld, Bitterfeld
33. Junkers Flugzeugwerk, Aken
34. " " Stassfurt
35. Junkerswerk Dessau
36. Junkers Motorenwerk Köthen

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37. AG "Solvay" Schacht "Plönnitz," Bernburg
38. Deutsche Grube Elisabeth 2 AG, Muehlen Stöbnitz
39. Bayerische Motorenwerke Schacht Nr. 7, Neustassfurt
40. Braunschweigische Gruben- und Elektrizitätswerk, Harbke Helmstedt
41. Werk Friedrich Krupp AG, Loburg, Kreis Jerichow I
42. Silbermetallwerk, Silberschmelzhütte (Silva), Magdeburg
43. Auto- und Motorenwerk, "Famo," Schönebeck
44. Wehrmachtssofen 9/10, Naphtha Destillation, Elbingerode
45. Eisenmesserei "Ilseswerk," Ilseburg
46. Armaturenfabrik "Dinglerwerke," Ilseburg
47. Metallbearbeitungswerk Oswald Kunsch, Silbitz, Kreis Zeitz
48. Deutsche Erdöl AG, Zipsendorf, Kreis Zeitz
49. Maschinenbau Franz Braun, Zerbst
50. Grube Gewerkschaft "Gute Hoffnung," Rossbach
51. Kohlenschacht Elisabeth, Muehlen
52. AG Transavia, Nietleben
53. AG Deutsche Grube, Ammendorf
54. Kriegswerk AG Hasag, Schlieben
55. Werk Junkers GmbH Harzgerode-Waldesprung
56. Flugzeugwerk Junkers, Moschwig (Teppichfabrik Pouch-Moschwig)
57. Grube Leopold AG, Bitterfeld-Kolzweissig
58. Schacht Ludwig II Stassfurt, Stassfurt
59. Schacht Leopold, Dessau-Köthen-Edderitz
60. Elektrowerk (Electric supply in Mansfelder Bergrevier AG, Factory Direction Klostermansfeld), Mansfeld
61. Siebel Reparaturwerkstatt, Schkeuditz
62. Deutsche Erdöl AG, Beuna
63. Solvay-Werke, Westeregeln
64. Braunkohlenschacht Gewerkschaft Leonhardt, Neumarkt-Geiseltal
65. Mitteldeutsche Stahlwerke Lauchhammer, Lauchhammer

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Appendix 1

Industrie-Werke of Saxony-Anhalt Halle, [REDACTED]
 Chief Direction, A-6 Economic Planning and Organization

25X1A In the list of SMA Halle of [REDACTED] consisting of 65 enterprises under sequestration, there are the following 34 sequestered enterprises which are included in the Industrie-Werke.

1. Deutsche Sprengchemie AG, Werk Klietz, Klietz, Krs. Jerichow II
2. Fabrik zur Verwertung chemischer Erzeugnisse GmbH, Güssen
3. Brandenburger Eisenwerke GmbH, Kirchmöser, Krs. Jerichow II
4. Junkers Flugzeug- und Motorenbau, Magdeburg
5. Georg von Giese's Erben, Hüttenverwaltung Magdeburg, Magdeburg
6. Polte, Magdeburg
7. Brabag-Braunkohle-Benzinwerk Magdeburg, Magdeburg
8. Flugzeugwerk Ago, Oschersleben
9. Junkers Flugzeug- und Motorenbau, Schönebeck
10. Lignose Sprungstoffwerke GmbH, Schönebeck
11. Jagdpatronen- und Metallwarenfabrik AG, Schönebeck
12. Rudolf Rautenbach GmbH, Schönebeck
13. Rautelwerke GmbH, Wernigerode
13. Arado Flugzeugwerke GmbH, Wittenberg
14. Deutsche Sprengchemie AG, Werk Moschwig, Moschwig, Krs. Wittenberg
15. Gummiwerk "Elbe" AG., Klein-Wittenberg/Elbe
16. Gebr. Sachsenberg AG, Rossau, Kreis Zerbst
17. Junkers Flugzeug- und Motorenwerke AG Leopoldshall, Stassfurt-Leopoldshall
18. Junkers Flugzeug- und Motorenwerke AG, Bernburg
19. J.F. Eisfeld GmbH, Silberhütte, Kreis Ballenstedt
20. Papierfabrik AG, Muldenstein, Kreis Bitterfeld
21. Kalichemie AG, Werk Bitterfeld, Bitterfeld
22. Junkers AG, Aken, Kreis Calbe
23. Junkers AG., Stassfurt
24. Junkers und Co., Dessau

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CENTRAL INTELLIGENCE GROUP

-6-

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25. Junkers Flugzeug- und Motorenwerke AG, Köthen
 26. AG "Solvay" Schacht Plömnitz, Bernburg
 27. Ilsewerk, Ilsenburg, Kreis Wernigerode
 28. Deutsche Erdöl AG, Zipsendorf, Kreis Zeitz
 29. Junkerswerke, Magdeburg
 30. Flugzeugwerk Junkers, Moschwig, which Industrie-Werke in their list of sequestered firms designates as:
Teppichfabrik Pouch, Pouch, Kreis Bitterfeld
 31. Grube Leopold AG, Bitterfeld
 32. Grube Leopold AG, Edderitz, Kreis Dessau-Köthen
 33. Elektrowerk, Mansfeld, designated in the Industrie-Werke list of sequestered firms as:
Elektrizitätsversorgung in Mansfelder Bergrevier AG, Factory Direction Klostermansfeld, Halle/Saale
 34. Solvay-Werke, Westeregeln, designated in the Industrie-Werke list of sequestered firms as:
Deutsche Solvaywerke, Alkaliwerke Westeregeln, Westeregeln, Kreis Haldensleben

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Appendix 2

Industrie-Werke of Saxony-Anhalt Halle, [REDACTED]
Chief Direction, A-6, Economic Planning and Organization

25X1A In the list of SMA Halle of [REDACTED] of enterprises under sequestration, there are the following firms which according to the order of SMA
25X1A Halle of [REDACTED] were turned over to German local governments and which the Industrie Werke considers state-owned enterprises:

- 25X1A 1. Maschinenbau und Armaturenfabrik "Louis Strube," Magdeburg
returned on [REDACTED] under No. 35.
- 25X1A 2. Mayerische Motorenwerke Schacht No. 7, Neustassfurt
returned on [REDACTED] under No. 29
- 25X1A 3. Braunschweigische Gruben- und Elektrizitätswerke, Harbke-Helmstedt
returned on [REDACTED] under No. 20
- 25X1A 4. Werk Friedrich Krupp AG, Loburg, Kreis Jerichow I
returned on [REDACTED] under No. 34
- 25X1A 5. Silvanmetallwerk Magdeburg
returned on [REDACTED] under No. 37
- 25X1A 6. Auto- und Motorenwerk "Famo," Schönebeck
returned on [REDACTED] under No. 31 (Fahrzeugwerke Schönebeck)
- 25X1A 7. Wehrmachtsofen Elbingerode
returned on [REDACTED] under No. 32
- 25X1A 8. Armaturenfabrik Dinglerwerke, Ilsenburg
returned on [REDACTED] under No. 41
- 25X1A 9. Maschinenbau Franz Brauh, Zerbst
returned on [REDACTED] under No. 30
- 25X1A 10. Kohlenschacht Elisabeth, Mueheln
returned on [REDACTED] under No. 2, 3, and 4
- 25X1A 11. Transavia AG, Mittelsien
returned on [REDACTED] under No. 38
- 25X1A 12. Hasag AG, Schliepen
returned on [REDACTED] under No. 38
- 25X1A 13. Schacht Ludwig II, Steassfurt
returned on [REDACTED] under No. 61
- 25X1A 14. Siebel-Reparaturwerkstatt, Schkeuditz
returned on [REDACTED] under No. 27
- 25X1A 15. Deutsche Erdöl AG Beuna
returned on [REDACTED] under No. 13
- 25X1A 16. Mitteldeutsche Stahlwerke Lauchhammer, Lauchhammer
returned on [REDACTED] under No. 26

In addition we consider state-owned enterprises, although SMA Halle still designates them as sequestered:

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CENTRAL INTELLIGENCE

-7-

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17. Grube Gewerkschaft "Gute Hoffnung," Rossbach, belonging to the former Michelkonzern, which is state-owned.
18. Braunkohlenschacht Gewerkschaft Leonhardt, Neumarkt (Geiseltal), belonging to the former Michelkonzern, which is state-owned.

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Appendix 3

Industrie-Werke of Saxony-Anhalt Halle, [REDACTED]
Chief Direction, A-6, Economic Planning and Organization

In the list of SMA Halle of [REDACTED] of the 65 firms held in sequestration, there are the following firms which because of their IG-Farben property fall under Control Council Law No. 9 and thus are not administered by the Industrie-Werke.

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1. IG Farbenindustrie, Frose
2. IG " , Bitterfeld
3. IG " , Aken
4. IG " , Teutschenthal
5. Riebeck-Montanwerke, Halle/Saale
6. " " Werk Ellen, Draschwitz, Kreis Zeitz
7. " " Werk Concordia, Nachterstedt, Kreis Quedlinburg
8. " " VBlopke, Kreis Haldensleben
9. Westfälische Sprengstoffgesellschaft Wasag, Wittenberg
10. Westfälisch Anhaltische Sprengstoffgesellschaft, Coswig
11. Deutsche Grube, Elisabeth 2, Micheln-Stöbnitz
12. Deutsche Grube A.G., Ammendorf

In addition, in the SMA Halle list of [REDACTED] is named

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13. Metallbearbeitungswerk Oswald Kunsch, Silbitz, Kreis Zeitz, which the Industrie Werke considers a Soviet AG.

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